META FINANCIAL GROUP INC

FORM 10-Q
(Quarterly Report)

Filed 5/12/2006 For Period Ending 3/31/2006

Address	121 EAST FIFTH STREET P O BOX 1307
	STORM LAKE, Iowa 50588
Telephone	712-732-4117
CIK	0000907471
Industry	S&Ls/Savings Banks
Sector	Financial
Fiscal Year	09/30

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15

(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transaction period from __________ to __________

Commission File Number: 0-22140

META FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	42-1406262
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

121 East Fifth Street, Storm Lake, Iowa 50588
(Address of principal executive offices)

(712) 732-4117
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12-b2 of the Exchange Act. (Check one):
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class: Outstanding at May 12, 2006:
Common Stock, $.01 par value 2,512,655 Common Shares

META FINANCIAL GROUP, INC.
FORM 10-Q

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META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statement of Financial Condition (Unaudited)

ASSETS	March 31, 2006	September 30, 2005
Cash and due from banks	$ 12,666,049	$ 5,390,455
Interest-bearing deposits in other financial institutions - short-term (cost approximates market value)	24,663,593	8,979,299
Total cash and cash equivalents	37,329,642	14,369,754
Securities purchased under agreements to resell	25,161,603	37,513,348
Securities available for sale	206,494,462	230,892,565
Loans receivable - net of allowance for loan losses of of $5,998,089 at March 31, 2006 and $7,222,404 at September 30, 2005	425,744,615	440,190,245
Loans held for sale	285,825	306,000
Federal Home Loan Bank stock, at cost	6,851,600	8,161,000
Accrued interest receivable	3,945,497	4,240,694
Premises and equipment, net	15,790,036	15,126,069
Foreclosed real estate and repossessed assets	61,366	4,706,414
Bank owned life insurance	12,626,890	12,332,337
Goodwill	3,403,019	3,403,019
Other assets	7,745,403	5,107,497
Total assets	$ 745,439,958	$ 776,348,942
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Non-interest-bearing demand deposits	$ 145,334,196	$ 102,164,156
Interest-bearing checking	23,468,544	33,481,270
Money market deposits	86,532,419	74,632,300
Savings deposits	51,081,919	62,370,483
Time certificates of deposit	234,007,998	268,122,096
Total deposits	540,425,076	540,770,305
Advances from Federal Home Loan Bank	129,755,000	159,705,000
Securities sold under agreements to repurchase	16,103,046	20,507,051
Subordinated debentures	10,310,000	10,310,000
Advances from borrowers for taxes and insurance	287,545	271,273
Accrued interest payable	832,766	941,935
Accrued expenses and other liabilities	5,688,049	884,688
Total liabilities	703,401,482	733,390,252
SHAREHOLDERS' EQUITY		
Preferred stock, 800,000 shares authorized, no shares issued or outstanding	--	--
Common stock, $.01 par value; 5,200,000 shares authorized, 2,957,999 shares issued, 2,512,655 and 2,503,655 shares outstanding at March 31, 2006 and September 30, 2005, respectively	29,580	29,580
Additional paid-in capital	20,624,327	20,646,513
Retained earnings - substantially restricted	34,681,939	34,557,258
Accumulated other comprehensive (loss)	(4,634,501)	(3,180,607)
Unearned Employee Stock Ownership Plan shares	(596,733)	(825,057)
Treasury stock, 445,344 and 454,344 common shares, at cost, at March 31, 2006 and September 30, 2006, respectively	(8,066,136)	(8,268,997)
Total shareholders' equity	42,038,476	42,958,690
Total liabilities and shareholders' equity	$ 745,439,958	$ 776,348,942

See Notes to Condensed Consolidated Financial Statements.

META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Interest and dividend income:				
Loans receivable, including fees	$ 7,465,410	$ 7,338,529	$ 15,051,982	$ 14,099,364
Securities available for sale	2,674,376	2,957,207	5,195,713	5,898,319
Dividends on Federal Home Loan Bank stock	54,921	76,872	123,885	159,616
	10,194,707	10,372,608	20,371,580	20,157,299
Interest expense:				
Deposits	3,336,118	2,902,732	6,682,846	5,587,904
FHLB advances and other borrowings	1,869,404	2,480,721	3,979,296	4,893,223
	5,205,522	5,383,453	10,662,142	10,481,127
Net interest income	4,989,185	4,989,155	9,709,438	9,676,172
Provision for loan losses	(350,000)	257,500	(309,500)	434,500
Net interest income after provision for loan losses	5,339,185	4,731,655	10,018,938	9,241,672
Non-interest income:				
Deposit service charges and other fees	362,666	280,704	706,433	609,738
Gain on sales of loans, net	51,234	45,566	106,212	81,308
Bank owned life insurance	165,876	126,646	329,518	253,291
Gain on sales of foreclosed real estate, net	846	--	3,581	--
Card fees	1,453,117	136,604	2,671,248	165,046
Other income	163,624	84,650	225,964	176,371
Total non-interest income	2,197,363	674,170	4,042,956	1,285,754
Non-interest expense:				
Employee compensation and benefits	3,357,806	2,781,661	6,625,716	5,692,050
Occupancy and equipment expense	1,123,551	1,030,493	1,962,946	1,762,103
Deposit insurance premium	14,412	16,453	30,046	36,074
Data processing expense	191,275	184,450	384,620	368,126
Legal and consulting expense	954,149	163,285	1,545,082	224,172
Card processing expense	942,174	68,035	1,285,429	119,846
Other expense	616,596	619,110	1,156,691	1,146,879
Total non-interest expense	7,199,963	4,863,487	12,990,530	9,349,250
Net income before income tax expense	336,585	542,339	1,071,364	1,178,177
Income tax expense	75,204	142,964	294,563	336,860
Net income	$ 261,381	$ 399,375	$ 776,801	$ 841,317
Earnings per common share:				
Basic	$ 0.10	$ 0.16	$ 0.31	$ 0.34
Diluted	0.10	0.16	0.31	0.33
Dividends declared per common share:	$ 0.13	$ 0.13	$ 0.26	$ 0.26

See Notes to Condensed Consolidated Financial Statements.

META FINANCIAL GROUP INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive (Loss) (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Net income	$ 261,381	$ 399,375	$ 776,801	$ 841,317
Other comprehensive (loss):				
Net change in net unrealized (losses) on securities available for sale	(596,859)	(2,598,479)	(2,315,484)	(3,773,146)
Deferred income tax benefit	(222,094)	(966,896)	(861,590)	(1,403,990)
Total other comprehensive loss	(374,765)	(1,631,583)	(1,453,894)	(2,369,156)
Total comprehensive (loss)	$ (113,384)	$(1,232,208)	$ (677,093)	$(1,527,839)

See Notes to Condensed Consolidated Financial Statements.

META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the Six Months Ended March 31, 2006

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss), Net of Tax	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Shareholders' Equity
Balance, September 30, 2005	$29,580	$ 20,646,513	$ 34,557,258	$(3,180,607)	$(825,057)	$(8,268,997)	$ 42,958,690
Cash dividends declared on common stock ($.26 per share)	--	--	(652,120)	--	--	--	(652,120)
Issuance of 9,000 common shares from treasury stock due to exercise of stock options	--	(63,189)	--	--	--	202,861	139,672
Stock compensation	--	56,989	--	--	--	--	56,989
10,200 common shares committed to be released under the ESOP	--	(15,986)	--	--	228,324	--	212,338
Net change in net unrealized gains and losses on securities available for sale, net of	--	--	--	(1,453,894)	--	--	(1,453,894)
Net income for six months ended March 31, 2006	--	--	776,801	--	--	--	776,801
Balance, March 31, 2006	$29,580	$ 20,624,327	$ 34,681,939	$(4,634,501)	$(596,733)	$(8,066,136)	$ 42,038,476

See Notes to Condensed Consolidated Financial Statements.

META FINANCIAL GROUP, INC.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended March 31, 2006	2005
Cash Flows from operating activities:		
Net income	$ 776,801	$ 841,316
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, amortization and accretion, net	1,469,678	1,863,437
Provision for loan losses	(309,500)	434,500
Stock compensation	56,989	--
Proceeds from sales of loans held for sale	4,344,032	4,327,480
Originations of loans held for sale	(4,323,857)	(4,263,680)
Gain on sales of foreclosed real estate, net	(3,581)	--
Net change in accured interest receivable	295,197	214,707
Net change in other assets	(2,070,904)	(121,465)
Net change in accrued interest payable	(109,169)	451,860
Net change in accrued expenses and other liabilities	4,803,361	(501,741)
Net cash provided by operating activities	4,929,047	3,246,414
Cash flow from investing activities:		
Purchase of securities available for sale	(108,522)	(15,459,228)
Net change in securities purchased under agreement to resell	12,351,745	--
Proceeds from maturities and principal repayments of securities available for sale	21,506,955	37,803,043
Net change in loans receivable	41,467,922	(29,784,282)
Loans purchased	(26,687,356)	(12,870,084)
Proceeds from sales of foreclosed real estate	4,675,974	2,500
Change in FHLB stock	1,309,400	659,800
Purchase of premises and equipment	(1,289,867)	(817,752)
Net cash provided by (used in) investing activities	53,226,251	(20,466,003)
Cash flows from financing activities:		
Net change in noninterest-bearing demand, savings, NOW, and money market demand deposits	$ 33,768,869	$ 2,535,991
Net change in time deposits	(34,114,098)	37,026,386
Net repayments of advances from Federal Home Loan Bank	(29,950,000)	(18,500,000)
Net change in securities sold under agreements to repurchase	(4,404,005)	(3,743,424)
Net change in advances from borrowers for taxes and insurance	16,272	30,196
Cash dividends paid	(652,120)	(648,923)
Purchase of shares by ESOP	--	(437,080)
Proceeds from exercise of stock options	139,672	146,763
Purchase of treasury stock	--	(25,655)
Net cash provided by (used in) financing activities	(35,195,410)	16,384,254
Net change in cash and cash equivalents	22,959,888	(835,335)
Cash and cash equivalents at beginning of period	14,369,754	8,936,569
Cash and cash equivalents at end of period	$ 37,329,642	$ 8,101,234
Supplemental disclosure of cash flow information Cash paid during the period for:		
Interest	$ 10,771,311	$ 10,029,267
Income taxes	334,500	265,011
Supplemental schedule of non-cash investing and financing activities:		
Loans transferred to foreclosed real estate	$ 27,345	$ 22,028

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for interim reporting by Meta Financial Group, Inc. ("Meta Group" or the "Company") and its consolidated subsidiaries, MetaBank, MetaBank West Central ("MetaBank WC"), Meta Trust Company ("Meta Trust"), First Services Financial Limited, and Brookings Service Corporation are consistent with the accounting policies followed for annual financial reporting. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the periods reported have been included in the accompanying unaudited condensed consolidated financial statements, and all such adjustments are of a normal recurring nature. The accompanying condensed consolidated statement of financial condition as of September 30, 2005, which has been derived from audited financial statements, and the unaudited interim condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest shareholders' annual report (Form 10-K).

2. EARNINGS PER SHARE

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share shows the dilutive effect of additional common shares issuable pursuant to stock options agreements.

A reconciliation of the numerators and denominators used in the basic earnings per common share and the diluted earnings per common share computations for the three and six months ended March 31, 2006 and 2005 is presented below.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Basic earnings per common share:				
Numerator:				
Net income	$ 261,381	$ 399,374	$ 776,801	$ 841,316
Denominator:				
Weighted average common shares outstanding	$ 2,510,677	$ 2,494,060	$ 2,507,147	$ 2,492,788
Less: Weighted average unallocated ESOP shares	(29,975)	(35,129)	(32,558)	(33,484)
Weighted average common shares outstanding for basic earnings per share	$ 2,480,702	$ 2,458,931	$ 2.474.589	$ 2,459,304
Basic earnings per common share	$ 0.10	$ 0.16	$ 0.31	$ 0.34

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005	Six Months Ended March 31, 2006	Six Months Ended March 31, 2005
Diluted earnings per common share:				
Numerator:				
Net income	$ 261,381	$ 399,374	$ 776,801	$ 841,316
Denominator:				
Weighted average common shares outstanding for basic earnings per common share	$2,480,702	$2,458,931	$2,474,589	$2,459,304
Add: Dilutive effect of assumed exercise of stock options, net of tax benefits	32,225	57,160	30,504	59,939
Weighted average common shares outstanding for diluted earnings per share	$2,512,927	$2,516,091	$2,505,093	$2,519,243
Diluted earnings per common share	$ 0.10	$ 0.16	$ 0.31	$ 0.33

3. LOANS RECEIVABLE

Loans receivable before allowance for loan losses totaled $431.7 million as of March 31, 2006, a decrease of $15.7 million from $447.4 million at September 30, 2005. Most of this decrease is the result of pay downs or pay offs of commercial real estate participation loans in the first fiscal quarter of 2006. Loans receivable before allowance for loan losses increased $3.7 million during the second fiscal quarter, from $428.0 million as of December 31, 2005.

4. INTANGIBLE ASSETS

As of March 31, 2006 and September 30, 2005 the Company had intangible assets of $3,403,019, all of which has been determined to be goodwill. There was no goodwill impairment loss or amortization related to goodwill during the three- and six-month periods ended March 31, 2006 or 2005.

5. DEPOSITS

Overall deposits decreased $345,000 from $540.8 million as of September 30, 2005 to $540.4 million as of March 31, 2006; however low- or no-cost demand deposits have risen $33.8 million over this same time period, and higher-costing certificates of deposit and public funds deposits have declined by approximately the same amount.

6. COMMITMENTS

At March 31, 2006 and September 30, 2005, the Company had outstanding commitments to originate and purchase loans totaling $62.4 million and $69.6 million, respectively, excluding undisbursed portions of loans in process. It is expected that outstanding loan commitments will be funded with existing liquid assets.

7. STOCK OPTION PLAN

Prior to October 1, 2005, the Company accounted for its stock option plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees and related

Interpretations, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation. No stock-based employee compensation cost was recognized for stock options in the Statement of Operations for the year ended September 30, 2005 or prior years, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective October 1, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment, using the modified-prospective-transition method. Under that transition method, compensation cost recognized in the three- and six-month periods ended March 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of October 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to October 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Results for prior periods have not been restated. As a result of adopting Statement 123(R) on October 1, 2005, the Company's net income for the three- and six-month periods ended March 31, 2006 are $39,000 and $57,000 lower, respectively, than if it had continued to account for share-based compensation under Opinion 25.

Prior to the adoption of Statement 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. Statement 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement 123 to options granted under the Company's stock option plans in all periods presented. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes option-pricing formula and amortized to expense over the option's vesting periods.

	Three Months Ended March 31, 2005	Six Months Ended March 31, 2005
Net income, as reported	$ 399,374	$ 841,316
Deduct: Total employee stock-based compensation expense determined under fair value based method for all awards, net of tax effects	(23,810)	(47,620)
Pro forma net income	$ 375,564	$ 793,706
Earnings per common share - basic:		
As reported	$ 0.16	$ 0.34
Pro forma	$ 0.15	$ 0.32
Earnings per common share - diluted:		
As reported	$ 0.16	$ 0.33
Pro forma	$ 0.15	$ 0.32

8. SEGMENT INFORMATION

An operating segment is generally defined as a component of a business for which discrete financial information is available and whose results are reviewed by the chief operating decision-maker. The Company has determined that it has two reportable segments under Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information: a traditional banking segment consisting of its two banking subsidiaries, MetaBank and MetaBank West Central, and Meta Payment Systems, a division of MetaBank. MetaBank and MetaBank West Central operate as traditional community banks providing deposit, loan and other related products to individuals and small businesses, primarily in the communities where their offices are located. Meta Payment Systems provides a number of products and services, primarily to third parties, including financial institutions and other businesses. These products and services include issuance of prepaid cards, issuance of credit cards, sponsorship of ATMs into the debit networks, ACH origination services and a gift card program. Other related programs are in the process of development. The remaining grouping under the caption "All Others" consists of the operations of Meta Financial Group, Inc. and Meta Trust Company. Revenues and expenses are allocated to business segments using a funds transfer pricing methodology through which excess funds or funding shortfalls at individual segments are sold to or bought from, respectively, the remaining segments. As the Company's funding mix changes between segments, net interest income at individual segments may rise or fall based on the relative size of the excess funding or funding shortfall position at any particular segment. The following tables present segment data for the Company for the three- and six-month periods ended March 31, 2006 and March 31, 2005, respectively.

	(Unaudited)			
	Traditional Banking	Payment Systems	All Others	Total
Three months ended March 31, 2006:				
Net interest income	$ 3,914,472	$ 1,234,542	($ 159,829)	$ 4,989,185
Provision for loan losses	(350,000)	--	--	(350,000)
Non-interest income	668,369	1,500,766	28,228	2,197,363
Non-interest expense	4,760,778	2,190,736	248,449	7,199,963
Net income (loss) before income tax expense	172,063	544,572	(380,050)	336,585
Income tax expense	53,316	188,000	(166,112)	75,204
Net income	$ 118,747	$ 356,572	($ 213,938)	$ 261,381
Inter-segment revenue (expense)	($ 775,651)	$ 933,415	($ 157,764)	--
Total assets	$ 625,800,789	$ 117,535,743	$ 2,103,427	$ 745,439,958

	Traditional Banking	Payment Systems	All Others	Total
Three months ended March 31, 2005:				
Net interest income	$ 5,071,554	$ 25,103	($ 107,502)	$ 4,989,155
Provision for loan losses	257,500	--	--	257,500
Non-interest income	451,749	196,460	25,961	674,170
Non-interest expense	4,047,732	747,737	68,018	4,863,487
Net income (loss) before income tax expense	1,218,071	(526,174)	(149,559)	542,338
Income tax expense	403,140	(181,000)	(79,176)	142,965
Net income	$ 814,931	($ 345,174)	($ 70,383)	$ 399,374
Inter-segment revenue (expense)	$ 98,243	$ 25,351	($ 123,594)	--
Total assets	$ 789,899,748	$ 3,817,268	$ 2,043,701	$ 795,760,717

	Traditional Banking	Payment Systems	All Others	Total
Six months ended March 31, 2006:				
Net interest income	$ 8,039,388	$ 1,991,406	($ 321,356)	$ 9,709,438
Provision for loan losses	(309,500)	--	--	(309,500)
Non-interest income	1,249,575	2,738,910	54,471	4,042,956
Non-interest expense	9,047,644	3,431,708	511,178	12,990,530
Net income (loss) before income tax expense	550,819	1,298,608	(778,063)	1,071,364
Income tax expense	185,276	448,000	(338,713)	294,563
Net income	$ 365,543	$ 850,608	($ 439,350)	$ 776,801
Inter-segment revenue (expense)	($ 1,099,857)	$ 1,419,321	($ 319,464)	--
Total assets	$ 625,800,788	$ 117,535,743	$ 2,103,426	$ 745,439,957

	Traditional Banking	Payment Systems	All Others	Total
Six months ended March 31, 2005:				
Net interest income	$ 9,840,066	$ 37,246	($ 201,140)	$ 9,676,172
Provision for loan losses	434,500	--	--	434,500
Non-interest income	978,400	248,082	59,272	1,285,754
Non-interest expense	7,814,645	1,389,528	145,077	9,349,250
Net income (loss) before income tax expense	2,569,321	(1,104,200)	(286,945)	1,178,176
Income tax expense	887,489	(389,000)	(161,629)	336,860
Net income	$ 1,594,656	($ 715,200)	($ 38,140)	$ 841,316
Inter-segment revenue (expense)	$ 195,917	$ 38,363	($ 234,280)	--
Total assets	$ 789,899,748	$ 3,817,268	$ 2,043,701	$ 795,760,717

9. LEGAL PROCEEDINGS

On June 11, 2004, the Sioux Falls School District filed suit in the Second Judicial Circuit Court alleging that MetaBank, a wholly-owned subsidiary of the Company, improperly allowed funds, which belonged to the school district, to be deposited into, and subsequently withdrawn from, a corporate account established by an employee of the school district. The school district is seeking in excess of $600,000. MetaBank has submitted the claim to its insurance carrier, and is working with counsel to vigorously contest the suit.

On or about March 10, 2006, plaintiffs filed five class-action suits on behalf of themselves and all other purchasers of vehicles from Prairie Auto Group, Inc., Dan Nelson Automotive Group, Inc.'s Rapid City, South Dakota location, and other not-yet-identified auto sales entities owned or operated by defendants. The complaints are styled as follows: Ronald Archulleta, et al. v. Prairie Auto Group, Inc., et al. - In the Tribal Court for the Oglala Sioux Tribe, Pine Ridge Indian Reservation; Cedar Around Him, et al. v. Prairie Auto Group, Inc., et al. - In the Tribal Court for the Rosebud Sioux Tribe, Rosebud Indian Reservation; Chris Dengler, et al. v. Prairie Auto Group, Inc. - Circuit Court of the Second Judicial Circuit, Minnehaha County, South Dakota; Lucinda Janis, et al. v. Prairie Auto Group, Inc., et al. - File No. C-157-04; In the Tribal Court for the Cheyenne River Sioux Indian Reservation, Eagle Butte, South Dakota; and Kali Treetop, et al. v. Prairie Auto Group, Inc., et al. - File No. 01-970; Circuit Court for the Seventh Judicial Circuit, Pennington County, South Dakota. Except for the named plaintiffs, each of the complaints is essentially identical to the others. The nature of the allegations are the same, and the same fourteen legal claims are sought to be pled in each.

Each complaint states that it is a "companion" to the other four and names the same defendants (approximately twenty-five) including the Registrant and affiliates thereof (the "MetaBank Defendants"). None of these complaints has yet been served on any of the MetaBank Defendants. The thrust of the complaints is that plaintiffs allegedly suffered damages as a result of a scheme by defendants to use fraudulent statements, misrepresentations and omissions to sell vehicles and extended warranties to plaintiffs. Plaintiffs claim that they and other similarly situated purchasers paid too much for their vehicles and were induced to buy warranties that were not honored and otherwise proved worthless. Plaintiffs allege that defendants reaped considerable profits through fraudulent sales methods; by refusing to make warrantied repairs; and by engaging in usurious repossession and resale practices. Plaintiffs allege that these practices were part of a business plan that originated with the franchisor-defendants and was purchased and employed by the franchisee-defendants. It appears that the principal basis for naming the MetaBank Defendants is that they loaned money to finance some of the defendants' business operations, purportedly with some degree of knowledge about the defendants' allegedly abusive consumer practices.

The complaints allege that the described transactions are typical of defendants' business and were part of a deliberate scheme directed primarily at Native American customers. The complaints allege that the franchisee-defendants engaged in coercive, fraudulent and other illegal activities in connection with the automobile sales, and each seeks to state claims for: (1) breach of express warranty; (2) breach of implied warranty of merchantability; (3) deceit/fraud; (4) violation of applicable deceptive trade laws; (5) breach of the implied covenant of good faith and fair dealing; (6) conversion; (7) civil conspiracy under tribal and state common law; (8) negligent hiring, training and supervision of employees; (9) violation of the Federal Equal Credit Opportunity Act; (10) invasion of privacy; (11) violation of the Racketeer Influenced and Corrupt Organizations Act (RICO); (12) violation of the Magnuson-Moss Act; (13) violation of the Federal Truth and Lending Act's (TILA) Three Day Rescission Period; and (14) violation of TILA's Disclosure of Finance Cost Requirement.

In addition to seeking certification as a class, plaintiffs seek cancellation of the automobile purchase contracts; monetary damages including the initial purchase price warranty charges, finance costs and related repossession and other charges; costs of allegedly warrantied repairs that were not made by defendants; consequential damages relating to the alleged wrongful repossession of vehicles and deficiency judgments associated therewith; damages for emotional and mental suffering; punitive and treble damages; and attorneys' fees. The amount of the alleged damages is not specified in the complaints.

With respect to the first matter described under "Corporate Development in Fiscal 2005" in the Company's Annual Report of Form 10-K for the fiscal year ended September 30, 2005 in Part II, Item 7 thereof, each participation agreement with the ten participant banks provides that the participant bank shall own a specified percentage of the outstanding loan balance at any give time. Each agreement also recites the maximum amount that can be loaned by MetaBank on that particular loan. MetaBank allocated to some participants an ownership in the outstanding loan balance in excess of the percentage specified in the participation agreement. MetaBank believes that in each instance this was done with the full knowledge and consent of the participant. Several participants have demanded that their participations be adjusted to match the percentage specified in the participant agreement. Based on the total loan recoveries projected as of March 31, 2006, MetaBank calculated that it would cost approximately $953,000 to adjust these participations as the participants would have them adjusted. A few participants have more recently asserted that MetaBank owes them additional monies based on additional legal theories. MetaBank denies any obligation to make the requested adjustments on these or related claims. MetaBank cannot predict at this time whether any participants will file litigation.

There are no other material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

META FINANCIAL GROUP, INC.
AND SUBSIDIARIES

GENERAL

Meta Financial Group, Inc. is a bank holding company whose primary assets are MetaBank, and MetaBank West Central. The Company was incorporated in 1993 as First Midwest Financial, Inc., a unitary non-diversified savings and loan holding company and, on September 20, 1993, acquired all of the capital stock of First Federal Savings Bank of the Midwest in connection with First Federal's conversion from mutual to stock form of ownership. On September 30, 1996, the Company became a bank holding company in conjunction with the acquisition of Security State Bank. Pursuant to requisite shareholder and regulatory approvals, the Company and its banking subsidiaries consolidated their names under the "Meta-" brand as of the close of business on January 28, 2005.

The following discussion focuses on the consolidated financial condition of the Company and its subsidiaries, at March 31, 2006, compared to September 30, 2005, and the consolidated results of operations for the three- and six-month periods ended March 31, 2006, compared to the three- and six-month periods ended March 31, 2005. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended September 30, 2005.

CORPORATE DEVELOPMENTS AND OVERVIEW

The Company continues to emphasize expansion in the growing metropolitan areas of Sioux Falls, South Dakota and Des Moines, Iowa. The Company completed construction of its fourth branch office in the Sioux Falls market in late 2005, and has now begun construction of a fifth branch in the Des Moines market in 2006.

As previously disclosed in its Form 8-K filing on June 24, 2005, the Company determined that $9.8 million of its assets related to loans to three companies involved in auto sales, service, and financing, and their principal owner were impaired under generally accepted accounting principles. The Company has taken possession of and liquidated nearly all of the assets of these firms. At this time, the Company believes its range of potential loss in this transaction, previously disclosed in its Form 8-K filing on August 15, 2005 at between $1.90 million to $4.88 million, is accurate, and that an adequate allowance has been established for this potential loss.

The Company also disclosed in its August 15, 2005 Form 8-K filing that it anticipated future cash expenditures of between $250,000 and $500,000 related to the impairment charge. In its Form 8-K/A filing on January 24, 2006, the Company disclosed that its original estimate of future cash expenditures was too low, and revised its estimate to between $750,000 and $1.1 million. At this time, the Company believes this estimated expenditure range remains accurate.

The Company disclosed in its Form 8-K filing on March 16, 2006 that its wholly-owned subsidiary MetaBank entered into a settlement agreement with one of the participants in the aforementioned auto lending relationship. MetaBank and the participant agreed to resolve all disputes related to the participation loan in exchange for MetaBank re-purchasing $461,000 of the outstanding loan amount. See Footnote 9 and Part II, Item 1. Legal Proceedings, herein.

The Meta Payment Systems (MPS) division generated net income of $356,000, or $0.14 per diluted share, for the quarter ended March 31, 2006, and $851,000, or $0.34 per diluted share, for the six-month period ended March 31, 2006. Since inception, the division has sustained a net loss of $447,000.

FINANCIAL CONDITION

As of March 31, 2006, Meta Financial Group had assets totaling $745.4 million, compared to $776.3 million at September 30, 2005. The reduction in total assets of $30.9 million, or 4.0%, reflects the Company's planned strategy to reduce the level of lower yielding investment securities and pay off higher costing wholesale borrowings. Investment and mortgage-backed securities totaled $231.6 million at March 31, 2006, compared to $268.4 million at September 30, 2005, reflecting a decrease of $36.8 million, or 13.7%. Similarly, advances from the Federal Home Loan Bank of Des Moines, and other wholesale borrowings, declined $34.3 million, or 18.0%, from $190.5 million at September 30, 2005 to $156.2 million at March 31, 2006.

Loans receivable before allowance for loan losses totaled $431.7 million as of March 31, 2006, a decrease of $15.7 million from $447.4 million at September 30, 2005. Most of this decrease is the result of pay downs or pay offs of commercial real estate participation loans in the first fiscal quarter of 2006. Loans receivable before allowance for loan losses increased $3.7 million during the second fiscal quarter, from $428.0 million as of December 31, 2005. Management believes some of the increase in the most recent quarter results from the abatement of normal seasonal effects which tend to depress calendar year end portfolios.

The Company's deposit mix has also changed favorably. Overall deposits have remained relatively flat, decreasing by $345,000 from $540.8 million as of September 30, 2005 to $540.4 million as of March 31, 2006; however low- or no-cost demand deposits have risen $33.8 million over this same time period, and higher-costing certificates of deposit and public funds deposits have declined by approximately the same amount. The increase in demand deposits stems mainly from growth at Meta Payment Systems, while the decrease in certificates of deposit and public funds reflects management's planned strategy of reducing reliance on higher-costing funding sources.

As of March 31, 2006 the Company's shareholders' equity totaled $42.04 million, compared to $42.96 million as of September 30, 2005. The decrease of $920,000 stems largely from the increase in accumulated other comprehensive loss related to the Company's mark to market adjustment of its securities available for sale portfolio pursuant to SFAS No. 115. This loss increased $1.45 million from $3.18 million at September 30, 2005 to $4.63 million at March 31, 2006. Common stock dividends totaling $652,000 also contributed to the decrease, offset by net income of $777,000. Both of the company's banking subsidiaries, MetaBank and MetaBank West Central, meet regulatory requirements for classification as well-capitalized institutions.

NON-PERFORMING ASSETS AND ALLOWANCE FOR LOAN LOSSES

Generally, when a loan becomes delinquent 90 days or more, or when the collection of principal or interest becomes doubtful, the Company will place the loan on non-accrual status and, as a result of this action, previously accrued interest income on the loan is taken out of current income. The loan will remain on non-accrual status until the loan has been brought current or until other circumstances occur that provide adequate assurance of full repayment of interest and principal.

At March 31, 2006, the Company had loans delinquent 30 days and over totaling $15.8 million, or 3.66% of total loans, compared to $1.9 million, or 0.42% of total loans, at September 30, 2005, and $9.8 million, or 2.23% of total loans at December 31, 2005. Subsequent to the end of the quarter, one of the Company's commercial loans, which had been delinquent over 90 days, paid off in full including all principal and interest amounts due. The total loan balance was just under $4.0 million. Adjusting the Company's delinquent loan amounts for this payoff would show total loans delinquent 30 days and over totaling $11.9 million, or 2.77% of total loans. The increase in delinquent loans is primarily the result of four large commercial loans totaling $10.9 million. The Company believes it is well secured on these assets, and that the level of allowance for loan losses adequately reflects potential risks related to these loans. The Company has monitored the increase in delinquent loans since the beginning of the fiscal year, and does not believe the increase in loan delinquencies is indicative of a downward trend in credit quality, namely because the increase is concentrated in a few large loans. Nevertheless, the Company continues to monitor closely all developments in its loan portfolio.

At March 31, 2006, there were three commercial and multi-family real estate loans totaling $7.0 million, or 1.63% of total loans, delinquent 30 days and over. This compares to no delinquent loans in this category as of September 30, 2005. Multi-family and commercial real estate loans generally present a higher level of risk than loans secured by one-to-four family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the higher level of difficulty of evaluating and monitoring these types of loans. These loans are being closely monitored by management, however, there can be no assurance that all loans will be fully collectible.

At March 31, 2006, commercial business loans delinquent 30 days and over totaled $6.7 million, or 1.55% of total loans. This compares to $1.5 million, or 0.32% of total loans, at September 30, 2005. Commercial business lending involves a greater degree of risk than one-to-four family residential mortgage loans because of the typically larger loan amounts. In addition, payments on loans are typically dependent on the cash flows derived from the operation or management of the business to which the loan is made. The success of the loan may also be affected by factors outside the control of the business, such as unforeseen changes in economic conditions for the business, the industry in which the business operates or the general environment. Although management believes the Company's portfolio of commercial business loans is well structured and adequately secured, there can be no assurance that all loans will be fully collectible.

At March 31, 2006, agricultural operating loans delinquent 30 days and over totaled $1.2 million, or 0.29% of the total loan portfolio as compared to $234,000, or 0.05% of total loans at September 30, 2005. Agricultural lending involves a greater degree of risk than one-to-four family residential mortgage loans because of the typically larger loan amounts. In addition, payments on loans are dependent on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. The success of the loan may also be affected by factors outside the control of the agricultural borrower, such as the weather and grain and livestock prices. Although management believes the Company's portfolio of agricultural real estate and operating loans is well structured and adequately secured, there can be no assurance that all loans will be fully collectible.

The table below sets forth the amounts and categories of the Company's non-performing assets. The Company's restructured loans (which involved forgiving a portion of the interest or principal on the loan or making loans at a rate materially less than market rates) are included in the table and were performing pursuant to their terms at the date shown. Foreclosed assets include assets acquired in settlement of loans.

(Dollars in thousands)	March 31, 2006	September 30, 2005
Non-accruing loans:		
One- to four-family	$ 125	$ 54
Construction	450	--
Commercial and multi-family	1,214	--
Agricultural real estate	--	--
Consumer	18	1
Agricultural operating	185	218
Commercial business (1)	4,667	404
Total non-accruing loans	6,659	677
Accruing loans delinquent 90 days or more	--	--
Total non-performing loans	6,659	677
Restructured loans:		
Consumer	--	--
Agricultural operating	--	7
Commercial business	--	--
Total restructured loans	--	7
Foreclosed assets:		
One-to four family	23	--
Commercial and multi-family	35	1,841
Consumer	3	--
Agricultural operating	--	--
Commercial business	--	2,865
Total foreclosed assets	61	4,706
Total non-performing assets	$ 6,720	$ 5,390
Total as a percentage of total assets	0.90%	0.69%

(1) March includes a $3,964 commercial business loan which paid off subsequent to quarter end.

Classified assets. Federal regulations provide for the classification of loans and other assets as "substandard", "doubtful" or "loss", based on the level of weakness determined to be inherent in the collection of the principal and interest. When loans are classified as either substandard or doubtful, the Company may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem loans. When assets are classified as loss, the Company is required either to establish a specific allowance for loan losses equal to 100% of that portion of the loan so classified, or to charge-off such amount. The Company's determination as to the classification of its loans and the amount of its allowances for loan losses are subject to review by its regulatory authorities, which may require the establishment of additional general or specific allowances for loan losses.

On the basis of management's review of its loans and other assets, at March 31, 2006, the Company had classified a total of $6.2 million of its assets as substandard, $468,000 as doubtful and none as loss. This compares to classifications at September 30, 2005 of $10.5 million substandard, $248,000 doubtful and none as loss.

Allowance for loan losses. The Company establishes its provision for loan losses, and evaluates the adequacy of its allowance for loan losses based upon a systematic methodology consisting of a number of factors including, among others, historic loss experience, the overall level of classified assets and non-performing loans, the composition of its loan portfolio and the general economic environment within which the Bank and its borrowers operate.

At March 31, 2006, the Company has established an allowance for loan losses totaling $6.0 million compared to $7.2 million at September 30, 2005. The allowance represented approximately 90% of the total non-performing loans at March 31, 2006. Adjusting for the aforementioned delinquent loan which paid off subsequent to quarter end, the allowance to would represent approximately 218% of total non-performing loans. The allowance at September 30, 2005 represented approximately 1,067% of the total non-performing loans at that date.

The following table sets forth an analysis of the activity in the Company's allowance for loan losses for the three-and six-month periods ended March 31, 2006 and March 31, 2005:

	Three Months Ended March 31,		Six Months Ended March 31,	
(Dollars in thousands)	2006	2005	2006	2005
Beginning balance	$ 7,257	$ 5,540	$ 7,222	$ 5,371
Provision charged (credited) to operations	(350)	257	(309)	434
Loans charged-off	(1,108)	(1)	(1,116)	(12)
Recoveries	199	1	201	4
Ending balance	$ 5,998	$ 5,797	$ 5,998	$ 5,797

The allowance for loan losses reflects management's best estimate of probable losses inherent in the portfolio based on currently available information. Future additions to the allowance for loan losses may become necessary based upon changing economic conditions, increased loan balances or changes in the underlying collateral of the loan portfolio.

CRITICAL ACCOUNTING POLICIES

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policies to be those related to the allowance for loan losses and asset impairment judgments including the recoverability of goodwill.

The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative, in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, changes in non-performing loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements. Qualitative factors include the general economic environment in the Company's markets, including economic conditions throughout the Midwest and, in particular, the state of certain industries. Size and complexity of individual credits in relation to loan structure, existing loan policies, and pace of portfolio growth are other qualitative factors that are considered in the methodology. As the Company adds new products and increases the complexity of its loan portfolio it will enhance its methodology accordingly. Management may have reported a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented elsewhere herein, as well as the portion of this Management's Discussion and Analysis section entitled "Non-performing Assets and Allowance for Loan Losses." Although management believes the levels of the allowance as of both March 31, 2006 and September 30, 2005 were adequate to absorb probable losses inherent in the loan portfolio, a decline in local economic conditions, or other factors, could result in increasing losses.

Goodwill represents the excess of acquisition costs over the fair value of the net assets acquired in a purchase acquisition. Goodwill is tested annually for impairment.

RESULTS OF OPERATIONS

General. For the three months ended March 31, 2006, the Company recorded net income of $261,000, or $0.10 per diluted share, compared to net income of $399,000, or $0.16 per diluted share, for the same period in 2005. Earnings in the current period were positively impacted by a negative provision for loan loss and higher non-interest income, due primarily to large increases in card fees, offset by higher compensation, legal and consulting, and other expenses. For the second fiscal quarter of 2006, Meta Payment Systems, a separate reportable segment, recorded net income of $356,000, or $0.14 per diluted share, compared to a loss of $345,000, or $0.14 per diluted share for the second fiscal quarter of 2005. For the six-month period ended March 31, 2006, Meta Payment Systems recorded net income of $851,000, or $0.34 per diluted share, compared to a loss of $715,000, or $0.28 per diluted share, for the six-month period ended March 31, 2005.

Net interest income. For the second quarter of fiscal 2006, net interest income totaled $4.989 million, which was the same as the second fiscal quarter of 2005. Average earning assets for the three-month period ended March 31, 2006 were $701.7 million, compared to $762.8 million for the same period one year earlier, a reduction of $61.1 million. Flat net interest income, coupled with a smaller balance sheet resulted in an increase in net interest margin improvement of 0.23% from 2.64% in the second fiscal quarter of 2005 to 2.87% in the second fiscal quarter of 2006.

Net interest income for the first six months of fiscal year 2006 totaled $9.709 million, compared to $9.676 million over the same period in fiscal year 2005, reflecting an increase of $33,000. Similarly, average earning assets for the six-month period ended March 31, 2006 were $707.9 million, compared to $756.2 million for the same period one year earlier, a reduction of $48.3 million. Again, the combination of relatively flat net interest income and a smaller balance sheet resulted in net interest margin improvement of 0.18% from 2.58% for the first six months of fiscal year 2005 to 2.76% for the first six months of fiscal year 2006.

The primary driver of the Company's higher net interest margin has been the improvement of the Company's funding mix toward low- or no-cost demand deposits and away from higher costing time and public funds deposits. Similarly, the decrease in wholesale borrowings and investments has improved the Company's capital and risk profile, while reducing reliance on lower spread assets and funding vehicles.

The following table presents the Company's average interest earning assets, interest bearing liabilities, net interest spread, and net interest margin for the three-month periods ended March 31, 2006 and March 31, 2005, respectively.

	2006			2005		
(Dollars in thousands)	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
Interest-earning assets:						
Loans receivable	$ 424,645	$ 7,466	7.12%	$ 427,186	$ 7,339	6.96%
Mortgage-backed securities	190,108	1,822	3.83	284,302	2,654	3.73
Other investment securities	79,965	852	4.26	40,580	303	2.99
FHLB stock	6,998	55	3.14	10,734	77	2.87
Total interest-earning assets	$ 701,716	$ 10,195	5.86%	$ 762,802	$ 10,373	5.49%
Non-interest-earning assets	48,696			34,539		
Total assets	$ 750,412			$ 797,341		
Non-interest bearing deposits	$ 139,127	--	--	$ 26,412	--	--
Interest-bearing liabilities:						
NOW and money markets	$ 117,729	$ 800	2.76%	$ 108,385	$ 359	1.34%
Savings deposits	54,490	381	2.84	55,749	335	2.44
Time deposits	235,908	2,155	3.70	278,487	2,209	3.22
FHLB advances	132,252	1,523	4.61	239,468	2,106	3.52
Other borrowings	25,657	347	5.41	40,039	375	3.75
Total interest-bearing liabilities	$ 566,036	$ 5,206	3.71%	$ 722,128	$ 5,384	3.00%
Total deposits and interest-bearing liabilities	$ 705,163	$ 5,206	2.98%	$ 748,540	$ 5,384	2.90%
Other non-interest bearing liabilities	3,016			2,711		
Total liabilities	$ 708,179			$ 751,251		
Stockholders' equity	42,233			46,090		
Total liabilities and stockholders' equity	$ 750,412			$ 797,341		
Net interest income and net interest rate spread including non-interest bearing deposits		$ 4,989	2.89%		$ 4,989	2.59%
Net interest margin			2.87%			2.64%

The following table presents the Company's average interest earning assets, interest bearing liabilities, net interest spread, and net interest margin for the six-month periods ended March 31, 2006 and March 31, 2005, respectively.

	2006			2005		
(Dollars in thousands)	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
Interest-earning assets:						
Loans receivable	$ 428,387	$ 15,052	7.04%	$ 419,803	$ 14,099	6.73%
Mortgage-backed securities	195,796	3,655	3.73	288,920	5,329	3.69
Other investment securities	76,136	1,540	4.05	36,820	569	3.09
FHLB stock	7,570	124	3.28	10,628	160	3.01
Total interest-earning assets	$ 707,889	$ 20,371	5.77%	$ 756,171	$ 20,157	5.34%
Non-interest-earning assets	46,308			34,345		
Total assets	$ 754,197			$ 790,516		
Non-interest bearing deposits	$ 123,983	--	--	$ 24,673	--	--
Interest-bearing liabilities:						
NOW and money markets	$ 114,567	$ 1,475	2.58%	$ 118,403	$ 807	1.37%
Savings deposits	57,189	805	2.82	51,614	514	2.00
Time deposits	245,085	4,403	3.60	282,258	4,267	3.03
FHLB advances	142,568	3,315	4.60	223,894	4,169	3.68
Other borrowings	27,978	664	4.75	41,079	724	3.52
Total interest-bearing liabilities	$ 587,387	$ 10,662	3.62%	$ 717,248	$ 10,481	2.91%
Total deposits and interest-bearing liabilities	$ 711,370	$ 10,662	2.99%	$ 741,921	$ 10,481	2.82%
Other non-interest bearing liabilities	179			2,007		
Total liabilities	$ 711,549			$ 743,928		
Stockholders' equity	42,648			46,588		
Total liabilities and stockholders' equity	$ 754,197			$ 790,516		
Net interest income and net interest rate spread including non-interest bearing deposits		$ 9,709	2.77%		$ 9,676	2.52%
Net interest margin			2.76%			2.58%

Provision for loan loss. During the second fiscal quarter of 2006 and the six months ended March 31, 2006, the Company recorded negative provisions for loan loss of $350,000 and $310,000, respectively, compared to positive loan loss provisions of $257,000 and $434,000 for the prior comparable periods. The negative provisions in the current periods resulted primarily from the Company's settlement agreement with one of the participants in its lending relationship with three entities involved in auto sales, service, and financing, and their principal owner. See "Non-Performing Assets and Allowance for Loan Losses" herein.

Non-interest income. For the three months ended March 31, 2006, non-interest income rose $1.523 million from $674,000 to $2.197 million, compared to the same period in 2005. For the six months ended March 31, 2006, non-interest income rose $2.757 million from $1.286 million to $4.043 million, compared to the same period in fiscal year 2005. The bulk of this increase resulted from increased card fee revenue from Meta Payment Systems. The revenue increase at Meta Payments stems mainly from growth in the number of outstanding prepaid debit cards. As of March 2006, the Company had over 4.3 million active prepaid debit cards, more than double the level outstanding at the beginning of the fiscal year.

Non-interest expense. Total non-interest expense for the three months ended March 31, 2006 was $7.200 million. This compares to $4.863 for the same period in 2005. For the six-month period ended March 31, 2006, total non-interest expense was $12.990 million, compared to $9.349 million for the same period in fiscal year 2005. The majority of the increases in each time period resulted from higher compensation and legal and consulting expenses.

Meta Financial Group's compensation expense for the second fiscal quarter of 2006 totaled $3.358 million, which reflected a $576,000 increase compared to the same quarter in fiscal 2005. For the first six months of fiscal year 2006, compensation expense totaled $6.626 million, which reflected an increase of $934,000 compared to the same period in fiscal year 2005. The increase was primarily the result of staff acquisition costs related to the growth at Meta Payment Systems, and the full-staffing of two de novo branch facilities in the Sioux Falls market. Other compensation costs included one time severance and recruitment expenses.

The Company's legal and consulting expenses also increased in the second fiscal quarter of 2006, rising $791,000 from $163,000 to $954,000. Approximately one half of this increase stemmed from higher expenditures related to the Company's work related to section 404 of the Sarbanes-Oxley Act, for which the Company has engaged an outside consulting firm to assist with implementation. The Company's increased legal expenses were primarily due to expenditures on matters involving or related to the aforementioned automobile related loans. For the six-month period ending March 31, 2006, legal and consulting expenses rose $1.321 million from $224,000 to $1.545 million. Approximately one half of this increase pertains to Sarbanes-Oxley section 404 implementation. Higher legal expenses relating to the aforementioned loans also contributed to the increase in expense. Through March 31, 2006, the Company has incurred over $700,000 in additional collection expenses related to the aforementioned auto lending relationships. The Company previously disclosed that its revised estimate for total cash expenditures relating to its collection efforts with respect to these loans would range between $750,000 and $1.1 million. The Company believes this expenditure estimate remains accurate at this time.

Income tax expense. Income tax expense was $75,000 for the three months ended March 31, 2006, compared to $143,000 for the same period in 2005. Income tax expense was $294,000 for the six months ended March 31, 2006 compared to $337,000 for the same period in fiscal year 2005. The decreases of $68,000 and $43,000, respectively, relate to lower taxable income in the current periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans, investments, and mortgage-backed securities, and funds provided by other operating activities. While scheduled payments on loans, mortgage-backed securities, and short-term investments are relatively predictable sources of funds, deposit flows and early loan repayments are greatly influenced by general interest rates, economic conditions, and competition.

The Company uses its capital resources principally to meet ongoing commitments to fund maturing certificates of deposits and loan commitments, to maintain liquidity, and to meet operating expenses. At March 31, 2006, the Company had commitments to originate and purchase loans totaling $62.4 million. The Company believes that loan repayment and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

Regulations require MetaBank and MetaBank WC to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets, and a leverage ratio consisting of Tier 1 capital to average assets. The following table sets forth MetaBank's and MetaBank WC's actual capital and required capital amounts and ratios at March 31, 2006 which, at that date, exceeded the minimum capital adequacy requirements.

At March 31, 2006 (Dollars in thousands)	Actual Amount	Actual Ratio	Minimum Requirement For Capital Adequacy Purposes Amount	Minimum Requirement For Capital Adequacy Purposes Ratio	Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
Total Capital (to risk weighted assets):						
MetaBank	$52,294	10.66%	$39,244	8.00%	$49,056	10.00%
MetaBank WC	4,243	13.15	2,581	8.00	3,226	10.00
Tier 1 (Core) Capital (to risk weighted assets):						
MetaBank	46,524	9.48	19,622	4.00	29,433	6.00
MetaBank WC	3,944	12.22	1,290	4.00	1,936	6.00
Tier 1 (Core) Capital (to average assets):						
MetaBank	46,524	6.64	28,033	4.00	35,041	5.00
MetaBank WC	3,944	8.50	1,855	4.00	2,319	5.00
Tier 1 (Core) Capital (to adjusted total assets):						
MetaBank	46,524	6.66	27,937	4.00	34,921	5.00

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) established five regulatory capital categories and authorized the banking regulators to take prompt corrective action with respect to institutions in an undercapitalized category. At March 31, 2006, the Company, MetaBank, and MetaBank WC exceeded minimum requirements for the well-capitalized category.

FORWARD LOOKING STATEMENTS

The Company, and its wholly-owned subsidiaries, MetaBank and MetaBank WC, may from time to time make written or oral "forward-looking statements," including statements contained in its filings with the Securities and Exchange Commission, in its reports to shareholders, and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements with respect to the Company's beliefs, expectations, estimates and intentions that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such statements may address: future operating results; customer growth and retention; loan and other product demand; earnings growth and expectations; new products and services, such as those offered by the Meta Payment Systems Division; credit quality and adequacy of reserves; technology; and our employees. The following factors, among others, could cause the Company's financial performance to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; inflation, interest rate, market, and monetary fluctuations; the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users; the impact of changes in financial services' laws and regulations; technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing and collecting assets of borrowers in default and managing the risks involved in the foregoing; and the risk of litigation.

The foregoing list of factors is not exclusive. Additional discussions of factors affecting the Company's business and prospects are contained in the Company's periodic filings with the SEC. The Company expressly disclaims any intent or obligation to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

Part I. Financial Information

Item 3. Quantitative and Qualitative Disclosure About Market Risk

MARKET RISK

The Company is exposed to the impact of interest rate changes and changes in the market value of its investments.

The Company currently focuses lending efforts toward originating and purchasing competitively priced adjustable-rate loan products and fixed-rate loan products with relatively short terms to maturity. This allows the Company to maintain a portfolio of loans that will be sensitive to changes in the level of interest rates while providing a reasonable spread to the cost of liabilities used to fund the loans.

The Company's primary objective for its investment portfolio is to provide the liquidity necessary to meet the Company's cash demands. This portfolio may also be used in the ongoing management of changes to the Company's asset/liability mix. The investment policy generally calls for funds to be invested among various categories of security types and maturities based upon the Company's need for liquidity, desire to achieve a proper balance between minimizing risk while maximizing yield, the need to provide collateral for borrowings, and to fulfill the Company's asset/liability management goals.

The Company's cost of funds responds to changes in interest rates due to the relatively short-term nature of its deposit portfolio. Consequently, the results of operations are generally influenced by the level of short-term interest rates. The Company offers a range of maturities on its deposit products at competitive rates and monitors the maturities on an ongoing basis.

The Company emphasizes and promotes its savings, money market, demand and NOW accounts and, subject to market conditions, certificates of deposit with maturities of three months through five years, principally from its primary market area. The demand, savings, and NOW accounts tend to be less susceptible to rapid changes in interest rates. As discussed previously, the bank continues to emphasize such deposits due to their low cost as well as their relative stability in volatile interest rate environments.

In managing its asset/liability mix, the Company, at times, depending on the relationship between long- and short-term interest rates, market conditions and consumer preference, may place somewhat greater emphasis on maximizing its net interest margin than on strictly matching the interest rate sensitivity of its assets and liabilities. Management believes that the increased net income which may result from an acceptable mismatch in the actual maturity or repricing of its asset and liability portfolios can provide sufficient returns to justify the increased exposure to sudden and unexpected increases in interest rates which may result from such a mismatch. The Company has established limits, which may change from time to time, on the level of acceptable interest rate risk. There can be no assurance, however, that, in the event of an adverse change in interest rates, the Company's efforts to limit interest rate risk will be successful.

Net Portfolio Value. The Company uses a Net Portfolio Value ("NPV") approach to the quantification of interest rate risk. This approach calculates the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities, as well as cash flows from off-balance-sheet contracts. Management of the Company's assets and liabilities is performed within the context of the marketplace, but also within limits established by the Board of Directors on the amount of change in NPV that is acceptable given certain interest rate changes.

Presented below, as of March 31, 2006 and September 30, 2005, is an analysis of the Company's interest rate risk profile as measured by changes in NPV for an instantaneous and sustained parallel shift in the yield curve, in 100 basis point increments, up and down 200 basis points. As interest rates have moved higher during this fiscal year, the Company's interest rate risk profile has shifted from one more exposed to downward rate movements as of September 30, 2005 to a more balanced position as of March 31, 2006. This shift is primarily the result of the

Company's Base Case position moving along the market value curve as rates have risen. Between September 30, 2005, and March 31, 2006, the Federal Funds rate rose 100 bp from 3.75% to 4.75%. Similarly, the 10 year Treasury yield rose 52 bp from 4.33% on September 30, 2005 to 4.85% on March 31, 2006. As a consequence, what was the Company's Base Case position at September 30, 2005 is more similar to the Company's Down 100 position as of March 31, 2006.

Some changes in company's balance sheet since September 30, 2005 have also created moderate shifts in the Company's interest rate risk profile. The decrease in mortgage-backed securities and callable wholesale borrowings has reduced the company's exposure to option risk. Additionally, the increase in non-costing deposits has served to reduce the Company's exposure to rising interest rates. As of March 31, 2006 and September 30, 2005, the Company and its subsidiaries were within the interest rate risk limits set forth by the Board of Directors and banking regulations.

Change in Interest Rates (Basis Points)	Board Limit % Change	At March 31, 2006 $ Change	At March 31, 2006 % Change	At September 30, 2005 $ Change	At September 30, 2005 % Change
(Dollars in thousands)					
+200 bp	(40)%	$(3,938)	(6)%	$(1,904)	(3)%
+100 bp	(25)	(1,032)	(2)	(411)	(1)
0 bp (Base Case)	--	--	--	--	--
-100 bp	(25)	(454)	(1)	(2,773)	(5)
-200 bp	(40)	(3,583)	(5)	(9,183)	(16)

Certain shortcomings are inherent in the method of analysis presented in the preceding table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets such as adjustable-rate mortgage-loans have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayments and early withdrawal levels would likely deviate from those assumed in calculating the tables. Finally, the ability of some borrowers to service their debt may decrease in the event of an interest rate increase. The Company considers all of these factors in monitoring its exposure to interest rate risk.

Item 4. Controls and Procedures

CONTROLS AND PROCEDURES

Any control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that its objectives will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a - 15(e) and 15d - 15(e) of the Securities Exchange Act of 1934 (Exchange Act) as of the end of the period covered by the report.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2006 our disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by us in this Report was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 1. Legal Proceedings - On June 11, 2004, the Sioux Falls School District filed suit in the Second Judicial Circuit Court alleging that MetaBank, a wholly-owned subsidiary of the Company, improperly allowed funds, which belonged to the school district, to be deposited into, and subsequently withdrawn from, a corporate account established by an employee of the school district. The school district is seeking in excess of $600,000. MetaBank has submitted the claim to its insurance carrier, and is working with counsel to vigorously contest the suit.

On or about March 10, 2006, plaintiffs filed five class-action suits on behalf of themselves and all other purchasers of vehicles from Prairie Auto Group, Inc., Dan Nelson Automotive Group, Inc.'s Rapid City, South Dakota location, and other not-yet-identified auto sales entities owned or operated by defendants. The complaints are styled as follows: Ronald Archulleta, et al. v.

Prairie Auto Group, Inc., et al. - In the Tribal Court for the

Oglala Sioux Tribe, Pine Ridge Indian Reservation; Cedar Around Him, et al. v. Prairie Auto Group, Inc., et al. - In the Tribal Court for the Rosebud Sioux Tribe, Rosebud Indian Reservation; Chris Dengler, et al. v. Prairie Auto Group, Inc. - Circuit Court of the Second Judicial Circuit, Minnehaha County, South Dakota; Lucinda Janis, et al. v. Prairie Auto Group, Inc., et al. - File No. C-157-04; In the Tribal Court for the Cheyenne River Sioux Indian Reservation, Eagle Butte, South Dakota; and Kali Treetop, et al. v. Prairie Auto Group, Inc., et al. - File No. 01-970; Circuit Court for the Seventh Judicial Circuit, Pennington County, South Dakota. Except for the named plaintiffs, each of the complaints is essentially identical to the others. The nature of the allegations are the same, and the same fourteen legal claims are sought to be pled in each.

Each complaint states that it is a "companion" to the other four and names the same defendants (approximately twenty-five) including the Registrant and affiliates thereof (the "MetaBank Defendants"). None of these complaints has yet been served on any of the MetaBank Defendants. The thrust of the complaints is that plaintiffs allegedly suffered damages as a result of a scheme by defendants to use fraudulent statements, misrepresentations and omissions to sell vehicles and extended warranties to plaintiffs. Plaintiffs claim that they and other similarly situated purchasers paid too much for their vehicles and were induced to buy warranties that were not honored and otherwise proved worthless. Plaintiffs allege that defendants reaped considerable profits through fraudulent sales methods; by refusing to make warrantied repairs; and by engaging in usurious repossession and resale practices. Plaintiffs allege that these practices were part of a business plan that originated with the franchisor-defendants and was purchased and employed by the franchisee-defendants. It appears that the principal basis for naming the MetaBank Defendants is that they loaned money to finance some of the defendants' business operations, purportedly with some degree of knowledge about the defendants' allegedly abusive consumer practices.

The complaints allege that the described transactions are typical of defendants' business and were part of a deliberate scheme directed primarily at Native American customers. The complaints allege that the franchisee-defendants engaged in coercive, fraudulent and other illegal activities in connection with the automobile sales, and each seeks to state claims for: (1) breach of express warranty; (2) breach of implied warranty of merchantability; (3) deceit/fraud; (4) violation of applicable deceptive trade laws; (5) breach of the implied covenant of good faith and fair dealing; (6) conversion; (7) civil conspiracy under tribal and state common law; (8) negligent hiring, training and supervision of employees; (9) violation of the Federal Equal Credit Opportunity Act; (10) invasion of privacy; (11) violation of the Racketeer Influenced and Corrupt Organizations Act (RICO);

(12)

violation of the Magnuson-Moss Act; (13) violation of the Federal Truth and Lending Act's (TILA) Three Day Rescission Period; and (14) violation of TILA's Disclosure of Finance Cost Requirement.

In addition to seeking certification as a class, plaintiffs seek cancellation of the automobile purchase contracts; monetary damages including the initial purchase price warranty charges, finance costs and related repossession and other charges; costs of allegedly warrantied repairs that were not made by defendants; consequential damages relating to the alleged wrongful repossession of vehicles and deficiency judgments associated therewith; damages for emotional and mental suffering; punitive and treble damages; and attorneys' fees. The amount of the alleged damages is not specified in the complaints.

With respect to the first matter described under "Corporate Development in Fiscal 2005" in the Company's Annual Report of Form 10-K for the fiscal year ended September 30, 2005 in Part II, Item 7 thereof, each participation agreement with the ten participant banks provides that the participant bank shall own a specified percentage of the outstanding loan balance at any give time. Each agreement also recites the maximum amount that can be loaned by MetaBank on that particular loan. MetaBank allocated to some participants an ownership in the outstanding loan balance in excess of the percentage specified in the participation agreement. MetaBank believes that in each instance this was done with the full knowledge and consent of the participant. Several participants have demanded that their participations be adjusted to match the percentage specified in the participant agreement. Based on the total loan recoveries projected as of March 31, 2006, MetaBank calculated that it would cost approximately $953,000 to adjust these participations as the participants would have them adjusted. A few participants have more recently asserted that MetaBank owes them additional monies based on additional legal theories. MetaBank denies any obligation to make the requested adjustments on these or related claims. MetaBank cannot predict at this time whether any participants will file litigation.

There are no other material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 1.A. Risk Factors - Other than the risk factors described below, there have been no material changes from those described in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the period ended September 30, 2005.

On March 15, 2006, the Federal Housing Finance Board, the federal regulator of the 12 Federal Home Loan Banks, published for comment a proposal that would (i) establish a minimum retained earnings requirement for each Federal Home Loan Bank, (ii) limit the amount of excess stock that a Bank could have outstanding, and (iii) impose new restrictions on the timing and form of dividend payment. If adopted, dividends paid to the Company by the FHLB of Des Moines, of which the Company is a member, could be reduced, thereby negatively impacting the Company's earnings.

In connection with the previously disclosed bankruptcy of certain borrowers of MetaBank, MetaBank has experienced loan losses, which have, in part, been passed on to various entities that participated with MetaBank, which was the lead lender at the time the loans were made. Several of the participant banks have recently contended, over and above the allocation issue raised by the participants and described in previous filings of the Registrant, that MetaBank owes such participants additional monies, and have threatened MetaBank with legal action if such amounts are not paid. In addition, five lawsuits, all containing virtually identical allegations to each of the others, have been filed naming several defendants, including MetaBank and affiliates, on behalf of the purchasers of automobiles from the borrowers. It is contended by the plaintiffs in these five lawsuits that MetaBank and its affiliates conspired with the borrowers to defraud such purchasers. See Footnote 9 to the

Financial Statements and Part II - Other Information, Item 1. Legal Proceedings herein. If the Company is forced to defend itself against this pending and threatened litigation, the Company would incur additional legal expenses, which cannot be reasonably estimated, but would affect overall profitability.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits

(a) Exhibits:
10.12 Settlement Agreement By and Between First Indiana Bank, N.A. and MetaBank dated March 13, 2006.
31.1 Section 302 certification of Chief Executive Officer.
31.2 Section 302 certification of Chief Financial Officer.
32.1 Section 906 certification of Chief Executive Officer.
32.2 Section 906 certification of Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

META FINANCIAL GROUP, INC.

Date: May 12, 2006   *By: /s/ J. Tyler Haahr*

J. Tyler Haahr, President,
and Chief Executive Officer

Date: May 12, 2006   *By: /s/ Jonathan M. Gaiser*

Jonathan M. Gaiser, Senior Vice President,
Secretary, Treasurer and Chief Financial Officer

Exhibit 10.12

SETTLEMENT AGREEMENT BY AND BETWEEN

FIRST INDIANA BANK, N.A. AND METABANK

This Settlement Agreement (the "Agreement"), dated as of this 13th day of March, 2006, is entered into by and between FIRST INDIANA BANK, N.A. ("FIB") on the one hand, and METABANK f/k/a First Federal Savings Bank - Sioux Falls ("MetaBank") on the other hand.

RECITALS

WHEREAS, on October 1, 2004, FIB and MetaBank executed a Participation Certificate and Agreement (the "Participation Agreement") whereby FIB agreed to purchase a participation in a certain $20,000,000.00 revolving draw loan (the "Loan"), made by MetaBank to South Dakota Acceptance Corporation (the "Borrower");

WHEREAS, the Borrower filed its petition for Chapter 11 bankruptcy relief in the United States Bankruptcy Court for the District of South Dakota on June 20, 2005 (the "Bankruptcy"), which constituted an event of default under the terms and conditions of the Loan;

WHEREAS, as of the Bankruptcy, the total Loan balance was $16,926,225.84, and FIB's share of the Loan was $6,000,000.00, which share constituted 35.45% of the total outstanding Loan balance;

WHEREAS, a dispute has arisen among the parties as to MetaBank's liability to FIB for allowing FIB's share of the Loan to exceed 30 percent of the Loan (the "Discrepancy"); and

WHEREAS, the parties agree that it is in their mutual best interests to resolve fully and finally their disputes, claims and controversies.

NOW, THEREFORE, in consideration of the foregoing and for the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. The above-stated Recitals are hereby incorporated and made a part of this Agreement as if fully restated herein.

2. Contemporaneously with the execution and delivery of the Agreement by all parties, MetaBank shall pay to FIB a lump sum payment of $461,000.00 (the "Settlement Payment"), and FIB shall convey to MetaBank 2.724 percent (%) of the Loan, so that FIB's undivided interest in the Loan shall equal 32.722 percent (%) of the total Loan balance, or $5,539,000.00. MetaBank's interest in the Loan will increase by $461,000.00.

3. Upon receipt of the Settlement Payment by FIB, FIB agrees for itself, its respective successors, heirs, executors, estates, administrators, representatives, attorneys, agents, and assigns, and hereby does release and forever discharge MetaBank, and any of its past, present and future parents, subsidiaries, and affiliates, and their respective officers, directors, shareholders, agents, servants, employees, attorneys, representatives, predecessors, successors, and assigns (the "MetaBank Release Group"), from any and all claims, demands, damages, rights, duties, debts, obligations, liabilities, actions or petitions of any kind, whether known or unknown, foreseen or unforeseen, contingent, actual, liquidated, or unliquidated, from the beginning of the world to the date of this Agreement, including without limitation any of the foregoing arising out of or related to the Loan, the Discrepancy, the Bankruptcy or the Participation Agreement, provided, however, that in the event any

person or entity in the MetaBank Release Group is subsequently charged with a felony that involves or relates to the Loan, the Discrepancy or the Participation Agreement and subsequently (i) enters a plea of no contest or guilty, or (ii) is otherwise convicted of the crime or any lesser included felony, the foregoing release shall be null and void and of no effect, but only to the extent of the loss or damage caused to FIB by the conduct constituting the felony.

4. Upon payment to MetaBank by FIB as set forth in paragraph 5 below, MetaBank agrees for itself, its respective successors, heirs, executors, estates, administrators, representatives, attorneys, agents, and assigns, and hereby does, release, and forever discharge FIB, and any of its past, present and future parents, subsidiaries, and affiliates, and their respective officers, directors, shareholders, agents, servants, employees, attorneys, representatives, predecessors, successors, and assigns (the "FIB Release Group"), from any and all claims, demands, damages, rights, duties, debts, obligations, liabilities, actions or petitions of any kind, whether known or unknown, foreseen or unforeseen, contingent, actual, liquidated, or unliquidated, from the beginning of the world to the date of this Agreement, including without limitation any of the foregoing arising out of or related to the Loan, the Discrepancy, the Bankruptcy, or the Participation Agreement, provided, however, that in the event that any person or entity in the FIB Release Group is subsequently charged with a felony that involves or relates to the Loan, the Discrepancy or the Participation Agreement and subsequently (i) enters a plea of no contest or guilty, or (ii) is otherwise convicted of the crime or any lesser included felony, the foregoing release shall be null and void and of no effect, but only to the extent of the loss or damage caused to MetaBank by the conduct constituting the felony.

5. FIB and MetaBank acknowledge that, pursuant to the terms of the participation agreement concerning the --------------------- Obligation (the "Obligation"), FIB shall pay to MetaBank the sum of $2,423,049.87, representing MetaBank's full and entire interest in the Obligation, by wire transfer within three (3) calendar days following the execution of this Agreement by MetaBank and its delivery to FIB.

6. FIB acknowledges that, in exchange for receiving from MetaBank the Settlement Payment representing 2.724 percent of the Loan, FIB hereby conveys and assigns to MetaBank: (a) all accompanying rights formerly held by FIB in connection with that Loan percentage, including but not limited to (i) the right to pursue other parties for losses, and (ii) the right to all proceeds and associated recoveries, no matter when received or by who, including but not limited to proceeds from the sale of contracts, insurance recoveries, and any and all other payments or recoveries that would be receivable by the holder of the 2.724 percent of the Loan, except for any interest payments that may have been received by FIB from the Borrower on account of this 2.724 percent of the Loan prior to the Borrower's bankruptcy filing on June 20, 2005; (b) any and all claims against the Borrower or relating to transactions with the Borrower; and
(c) any and all rights it has against any other participant banks, including but not limited to --------------------------------.

7. (a) The parties agree that they will keep confidential the terms of this Agreement, will not disclose the terms of the same, and will cause their respective officers, directors, employees, representatives, agents, attorneys and advisors not to disclose and to keep confidential the terms and conditions of this Agreement except to the extent required by (i) law, including requirements arising under the Securities Exchange Act of 1934, as amended, or
(ii) by Court process, order, subpoena or enforcement proceedings ("Court Documents").

(b) In the event either party is served ("Served Party") with Court Documents (as defined in 7(a)(ii) above) requesting information relating to the Agreement, the Served Party shall immediately forward a copy of the Court Documents to the other party ("Non-Served Party") by Federal Express. In the event the Non-Served Party intends to object to disclosure of this Agreement or its terms pursuant to the Court Documents, the Non-Served Party shall immediately (1) advise the Served Party of same; and (2) timely bring a motion, action or other appropriate proceeding ("Motion") relating to the objection, at its sole cost and expense (including attorneys' fees.) In the event the Non-Served Party fails to advise on a timely basis the Served Party that it wishes to object to compliance with the Court Documents, and/or fails to timely bring on a Motion, then in that event the Served Party may comply with the Court Documents.

(c) In the event the Agreement and/or its terms are disclosed pursuant to 6(a) or (b), the parties shall have no further obligations to maintain the confidentiality of the Agreement.

8. The parties acknowledge and represent they are independently represented by counsel and have had the opportunity to consult with counsel of their choice prior to entering into this Agreement. This Agreement has been negotiated by the parties hereto at arms length and shall not be construed against either party as the drafter. Each of the parties hereto acknowledges and represents that it is entering into this Agreement freely and voluntarily and with the advice and consent of legal counsel.

9. This Agreement is being entered into for the express purpose of making and entering into a full and final compromise, adjustment and settlement by and between MetaBank and FIB with regard to the subject matter hereof without regard to the subsequent discovery or existence of different or additional facts or events.

10. This Agreement does not in any manner constitute an admission of liability or fault whatsoever by either party. The parties have entered into this Agreement in order to avoid further expense, inconvenience, and delay and to dispose of potentially expensive burdensome and protracted litigation.

11. This Agreement embodies the entire understanding between the parties with respect to the subject matter hereof and may be varied only by subsequent written agreement signed by the parties. No representation, promise, inducement, or statement of intentions has been made by the parties hereto, which is not embodied in this Agreement.

12. In the event of future litigation relating to this Agreement or any provision of this Agreement, the prevailing party shall be entitled to recover its costs, expenses and reasonable attorney's fees (including in-house attorneys' fees) incurred in the enforcement of this Agreement, including enforcing the Agreement as a defense.

13. This Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of Indiana without giving effect to the provisions, policies or principals thereof relating to choice of law or conflict of law.

14. Each party signing this Agreement represents and warrants to each of the parties that he or she is duly and fully authorized and empowered to enter into and execute this Agreement, and that this Agreement and all of its terms are binding commitments of the party on whose behalf he or she purports to act.

15. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute one of the same Agreement. A telecopy or facsimile signature shall be equivalent to and binding as one original signature.

AGREED AS OF THE DATE SET FORTH ABOVE.

FIRST INDIANA BANK, N.A.

Dated: March 13, 2006 *By: /s/ Julie Fallon Hughes*
First Vice President

METABANK

Dated: March 13, 2006 *By: /s/ J. Tyler Haahr*
President and
Chief Executive Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Tyler Haahr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meta Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2006

/s/ J. Tyler Haahr

Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jonathan M. Gaiser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meta Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter ended December 31, 2005, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2006

/s/ Jonathan M. Gaiser

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Meta Financial Group, Inc. (the "Company") for the quarterly period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Tyler Haahr, Chief Executive Officer of the Company, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ J. Tyler Haahr

Name: J. Tyler Haahr
Chief Executive Officer
May 12, 2006